

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS  
PRACTICES OF THE

**CAPITOL BANKERS LIFE INSURANCE COMPANY**  
**NAIC # 62421 CDI # 1986-9**

AS OF JUNE 30, 1999

**STATE OF CALIFORNIA**



**DEPARTMENT OF INSURANCE**

**FIELD CLAIMS BUREAU**

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**CALIFORNIA DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Field Claims Bureau, 11th Floor  
Ronald Reagan State Office Building  
300 South Spring Street  
Los Angeles, CA 90013



March 25, 2002

The Honorable Harry W. Low  
Insurance Commissioner  
State of California  
45 Fremont Street  
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

**Capitol Bankers Life Insurance Company**

**NAIC #62421**

Hereinafter referred to as the Company.

This report is made available for public inspection and is published on the California Department of Insurance web site ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938.

## **SCOPE OF THE EXAMINATION**

The examination covered the claims handling practices of the aforementioned Company during the period July 1, 1998 through June 30, 1999. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was primarily conducted at the Company's claims office in Dallas, Texas.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

The alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

## **CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS**

The examiners reviewed files drawn from the category of Closed Claims for the period July 1, 1998 through June 30, 1999, commonly referred to as the “review period”. The examiners reviewed 4 Capitol Bankers Life Insurance Company files that were Term Life insurance and Universal Life insurance files. The examiners cited 3 claims handling violations of the Fair Claims Settlement Practices Regulations and/or the California Insurance Code Section 790.03 within the scope of this report.

<b>Capitol Bankers Life Insurance Company</b>			
<b>CATEGORY</b>	<b>CLAIMS FOR REVIEW PERIOD</b>	<b>REVIEWED</b>	<b>CITATIONS</b>
Term Life	2	2	2
Universal Life	2	2	1
<b>TOTALS</b>	4	4	3

<b>TABLE OF TOTAL CITATIONS</b>		
<b>Citation</b>	<b>Description</b>	<b>CBLIC</b>
CCR §2695.3(b)(2)	The Company failed to record in the file the date the Company received, date(s) the Company processed and date the Company transmitted or mailed every relevant document in the file.	1
CCR §2695.6(b)	The Company failed to provide thorough and adequate training regarding these regulations to all their claims agents.	1
CCR §2695.6(b)(4)	The Company failed to maintain a copy of the certification required by CCR §2695.6(b) (1), (2) or (3) at the principal place of business.	1
<b>Total Citations</b>		3

## **SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries discovered within the scope of this report.

**1. The Company failed to record claim data in the file.** In one instance, the Company failed to record the date the Company received, date(s) the Company processed and date the Company transmitted or mailed every relevant document in the file. The Department alleges this act is in violation of CCR § 2695.3(b)(2).

**Company Response:** A Third Party Administration manual is currently in development and all administrative sites are required to properly document the file by using date stamps for all correspondence. Third Party Administrators have expanded electronic databases to incorporate dating claim documents. The project was completed at all sites June 2001. All Third Party Administrators were trained in the Fair Claims Settlement Practices Regulations.

**2. The Company failed to provide thorough and adequate training regarding these regulations to all their claims agents.** In one instance, the Company failed to provide thorough and adequate training regarding these regulations to all their claims agents. The Department alleges this act is in violation of CCR § 2695.6(b).

**Company Response:** All Third Party Administrators have been trained in the Fair Claims Settlement Practices Regulations.

**3. The Company failed to maintain a copy of the certification required by CCR §2695.6(c) (1), (2) or (3) at the principal place of business.** In one instance, the Company failed to maintain a copy of the certification required by § 2695.6 (b) (1), (2) or (3) at the principal place of business. The Department alleges this act is in violation of CCR § 2695.6(b)(4).

**Company Response:** All Third Party Administrators were trained in the Fair Claims Settlement Practices Regulations and the certifications are now on file at the Company's principal place of business.